Schooling Capital and Economic Well-Being in Nigeria: An Empirical Results from New Welfare Indicator

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This study examines causal impact of education on wealth status of Nigerians using the 2008 Nigeria's Demographic and Health Survey (NDHS) taking full advantage of the quasi-natural experiment offered by the large-scale government investment in Universal Primary Education between 1976 and 1981. Results from the Differences-in-Differences technique established that the UPE programme had positive impact on schooling attainment beyond the level of primary education. To estimate the labour market impact of the UPE programme, we use both OLS and IV. The OLS results show that for an extra year of formal schooling, wealth increases by 8.8 percent. A year of primary schooling raises wealth by 10.34 percent and additional year of secondary schooling increases wealth 6.79 and a year of post-secondary education boost wealth by 9.7. Our OLS estimates are corrected for reverse causality, measurement error and omitted variable bias of the schooling variable by using this instrument set: years of exposure to free UPE programme, intensity of UPE at the level of Local Government Area (LGA) and the interaction of exposure to UPE and UPE intensity. Our IV results reveal the UPE programme has significant labour market consequences by raising the wealth status of beneficiaries relative to non-beneficiaries. We established that the only mechanism through UPE affected labour market performance of beneficiaries is through its impact on their schooling attainment. Our estimates are robust to a number of econometric tests. These tests include specification test for the presence of omitted variable bias, selective migration, over-identification test and falsification tests. The addition of more control variables, state fixed effects variables and cohort fixed effects variables did not significantly reduce our estimates.

Key Words: Schooling, OLS, IV, economic well-being